

Supermax Corporation Berhad

TP: RM6.80 (+22.0%)
3QFY21 Hit by Covid-19 Cases
Last Traded: RM5.57
Under Review (ESG: ★★★)

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Review

- Supermax's reported 9MFY21 net profit of RM2,854mn (+2165.8% YoY), accounting for 69.4% and 69.9% of our full-year forecast and street expectations respectively. We deem the result to be within expectation as we believe that 4QFY21 would be stronger due to the recovery in volumes.
- QoQ**, PBT dropped by 3.9% to RM1,342mn in tandem with the decline in sales of 3.1% to RM1,938mn. The weaker performance was due to: i) loss of production in February 2021 due to Covid-19 cases at its Meru Plants and ii) contribution of RM75mn towards the government Covid-19 fund.
- YoY, 9MFY21 PBT surged 22x to RM3,789mn, ahead of revenue growth of 4.4x to RM5,289mn. The strong performance was mainly due to higher ASP and sales volumes due to pandemic-led surge in demand.
- Separately, the group declared a special dividend of 13sen per share.

Impact

- No change to our FY21-FY23 earnings estimates, pending analyst briefing today.

Outlook

- Management expects the demand for gloves to main buoyant beyond 2021. As such, the group plans to add 22.25bn new capacity to 48.42bn gloves by end of 2022.

Valuation

- We place our recommendation under review while maintaining the target price for Supermax at RM6.80, pending updates from analyst briefing today.

Share Information

Bloomberg Code	SUCB MK
Stock Code	7106
Listing	Main Market
Share Cap (mn)	2,721.0
Market Cap (RMmn)	15,154.0
52-wk Hi/Lo (RM)	11.954/1.252
12-mth Avg Daily Vol ('000 shrs)	46,433.9
Estimated Free Float (%)	61.7
Beta	1.8

Major Shareholders (%)

Supermax Holdings Sdn Bhd (38.3)

Forecast Revision

	FY21	FY22
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	4,111.8	2,653.6
Consensus	4,082.9	2,387.9
TA's / Consensus (%)	100.7	111.1
Previous Rating	Buy (Under Review)	

Financial Indicators

	FY21	FY22
Net gearing (%)	Net cash	Net cash
CFPS (sen)	156.0	86.4
P/CFPS (x)	3.6	6.4
ROE (%)	170.2	65.4
ROA (%)	87.2	37.1
NTA/Share (RM)	1.2	1.8
Price/NTA (x)	4.6	3.0

Scorecard

	% of FY	
vs. TA	69.4	Within
vs. Consensus	69.9	Within

Share Performance (%)

Price Change	SUCB	FBM KLCI
1 mth	45.4	(0.5)
3 mth	(16.5)	(0.2)
6 mth	(38.5)	4.9
12 mth	329.7	13.4

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: 3QFY21 Results Analysis (RM mn)

FYE June (RM mn')	3QFY20	2QFY21	3QFY21	QoQ	YoY	9MFY20	9MFY21	YoY
Revenue	447.2	1,998.6	1,937.5	(3.1)	333.2	1,202.7	5,288.7	339.7
Operating expenses	(353.0)	(602.0)	(610.8)	1.5	73.0	(1,025.9)	(1,526.3)	48.8
EBITDA	111.9	1,414.7	1,363.8	(3.6)	1,118.9	220.4	3,844.2	1,644.5
Finance costs	(3.5)	(2.0)	(1.8)	(10.9)	(50.2)	(12.3)	(6.1)	(50.2)
Share of profit of associates	4.6	2.6	17.4	574.0	279.7	5.1	32.6	537.4
PBT	95.3	1,397.2	1,342.3	(3.9)	1,308.8	169.5	3,788.8	2,134.6
Taxation	(22.9)	(317.5)	(320.0)	0.8	1,295.5	(42.2)	(874.3)	1,970.8
PAT(-MI)	71.1	1,059.5	1,005.2	(5.1)	1,314.7	126.0	2,854.2	2,165.8
EPS (sen)	2.7	41.1	38.8	(5.6)	1,332.8	4.8	110.3	2,192.3
DPS (sen)	0.0	3.8	13.0	242.1	nm	0.0	16.8	nm
				pp	pp			pp
EBITDA margin (%)	25.0	70.8	70.4	(0.4)	45.4	18.3	72.7	54.4
PBT margin (%)	21.3	69.9	69.3	(0.6)	48.0	14.1	71.6	57.5
Tax rates (%)	24.1	22.7	23.8	1.1	(0.2)	24.9	23.1	(1.8)
PAT (-MI) margin (%)	15.9	53.0	51.9	(1.1)	36.0	10.5	54.0	43.5

Table 2: Earnings Summary (RM mn)

FYE June (RM mn')	FY19	FY20	FY21F	FY22F	FY23F
Revenue	1,538.2	2,131.8	7,811.4	7,215.0	5,704.3
Other income	5.5	18.1	23.6	16.5	9.2
Operating expenses	(1,351.6)	(1,444.3)	(2,413.7)	(3,590.5)	(3,590.8)
Finance Cost	(19.7)	(17.1)	(23.4)	(20.0)	(19.8)
PBT	172.4	688.6	5,397.9	3,620.9	2,102.9
Taxation	(49.3)	(153.0)	(1,203.7)	(916.1)	(532.0)
Net profit (-MI)	123.1	525.6	4,111.8	2,653.6	1,541.1
Adj EPS (sen)	4.5	19.3	151.1	97.5	56.6
EPS Growth (%)	15.4	326.9	682.3	(35.5)	(41.9)
PER (x)	123.1	28.8	3.7	5.7	9.8
Dividend (sen)	1.8	na	61.9	39.8	23.1
Div Yield (%)	0.3	na	11.1	7.1	4.1

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★	★★★	★★★
Remark	Lack of data to track its efforts in improving its waste management. More efforts are needed to get ISO certification.	Limited details provided on training and workers living conditions.	Lack of transparency on ESG initiatives and progress tracked.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Thursday, May 06, 2021, the analyst, Tan Kong Jin, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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